

## IN THE MATTER OF INTEREST ARBITRATION BETWEEN

BLACK HAWK COUNTY  
PUBLIC EMPLOYERINTEREST ARBITRATION  
AWARD

AND

TEAMSTERS LOCAL #238  
EMPLOYEE ORGANIZATION

RONALD HOH, ARBITRATOR

APPEARANCESFor Black Hawk County:

Tom Pounds, Human Resources Director

For Teamsters Local 238:

Jill Hartley, Attorney

Kevin McCombs, Business Representative

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This proceeding arises pursuant to the provisions of Sections 19 and 22 of the Iowa Public Employment Relations Act, Chapter 20, 2001 Code of Iowa (hereinafter Act). Black Hawk County (hereinafter County) and Teamsters Local #238 (hereinafter Union) have been unable to agree upon the terms of their collective bargaining agreement for the 2004 fiscal year (July 1, 2003 - June 30, 2004) through their negotiations and mediation. In accordance with independently negotiated impasse procedures, the undersigned was selected from a list provided by the Iowa Public Employment Relations Board (hereinafter PERB) to conduct a hearing and issue a binding interest arbitration award on the matters in dispute herein.

The hearing was held on April 24, 2003 in Waterloo, Iowa and was completed that same day. All parties appeared at the hearing and had full opportunity to present evidence and argument in support of their respective positions. The hearing was mechanically recorded in accordance with PERB regulations.

The parties prior to the hearing had waived the March 15 statutory deadline for issuance of the arbitrator's decision and award. They further agreed at hearing to waive the fact-finding step of statutory impasse procedures under which the arbitrator had originally been selected, and to invest in the undersigned the power to issue a binding interest arbitration award under Section 22 of the Act.

#### **STATUTORY CRITERIA**

Section 22.9 of the Act sets forth the criteria by which the arbitrator is to select, under Section 22.11 of the Act, "the most reasonable offer of the final offers on each of the impasse items submitted by the parties..." Section 22.9 provides:

The arbitrator or panel shall consider, in addition to other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties, including the bargaining that lead up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees doing comparable work, giving consideration to factors peculiar to the area and classification involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and

appropriate funds for the conduct of its operations.

Section 17.6 of the Act further provides:

No collective bargaining agreement or arbitrator's decision shall be valid or enforceable if its implementation would be inconsistent with any statutory limitation on the public employer's funds, spending or budget, would substantially impair or limit the performance of any statutory duty by the public employer.

The award on the impasse items at issue herein is made with due regard to each of the above criteria.

#### **BACKGROUND**

The County is the fourth largest in population in Iowa, and has eighteen departments and about 740 employees in County government. About six hundred of those employees are represented by employee organizations for collective bargaining and contract administration purposes, including the approximately thirty-three secondary road unit employees represented by the Union in this proceeding.

The parties are currently operating under and governed by a three year collective bargaining agreement (hereinafter contract), which will expire by its terms on June 30, 2003. They began negotiations for a new contract on January 7, 2003, and reached voluntary agreement through several negotiations sessions thereafter on all issues except wages and health insurance monthly employee contribution. It is those two issues which are before the arbitrator in this proceeding.

The County has also reached impasse with each of the other seven bargaining units where contracts are open for fiscal year 2004. It has held hearings and received decisions from arbitrators in four of those

cases, two others (including this case) have been submitted to arbitrators, and one remains pending hearing. The eighth County bargaining unit - the health department unit - has one more year remaining on its three year contract. That contract in the areas at impasse in this proceeding calls for a 3% wage increase effective July 1, 2003 and employee health/dental insurance monthly contributions of \$5 for single coverage and \$12.50 for family coverage.

#### COMPARABILITY

The parties have little dispute concerning the proper group for comparability purposes under Section 22.9(b) of the Act. Both cite as externally comparable the other seven largest population counties in Iowa - Polk, Linn, Scott, Johnson, Woodbury, Dubuque and Pottawattamie - which range in year 2000 population from 87,704 in Pottawattamie to 371,601 in Polk. In that group, the County is fourth largest in population and fifth largest in total assessed valuation, as of January 1, 2003.

The Union proposes to include within the appropriate external comparability group the far eastern Iowa county of Clinton, with a year 2000 population 50,149. Although the arbitrator would not include Clinton in the proper comparability group were its propriety therein disputed, in view of its substantially lower population, the fact that it is not the next most populated Iowa county, and the about 120 mile distance of its county seat from Waterloo, its inclusion or exclusion for comparability purposes does not affect the appropriateness of the arbitrator's decisions below concerning the disputed impasse areas.

The parties further agree that under the Section 22.9 criterion of "other relevant factors," the arbitrator should also examine intra-County comparability, and specifically the awards of the interest arbitrators in the four County bargaining unit impasse decisions received prior to this hearing.

Finally, the County contends that the arbitrator should also look for comparability purposes to the wage freeze and significant monthly insurance cost contribution proposed for fiscal year 2004 for non-represented County employees. This arbitrator has stated in previous Iowa cases that, absent agreement to the contrary, such comparisons are not proper under Section 22.9, both because such employees do not perform "comparable work" as required in that Section, and because such unrepresented employees have no formal voice in determination of the level of their wages and fringe benefits.

#### **ISSUE #1 - EMPLOYEE MONTHLY INSURANCE CONTRIBUTION**

Permanent full time bargaining unit employees receive preferred provider group health and dental insurance as described in Article 24 of the parties' contract, plus \$10,000 in life insurance coverage. Employees currently pay a monthly premium contribution of \$5.00 for single coverage and \$12.50 for family coverage, with the County paying the remainder of the monthly health insurance premium in both of these areas. The life insurance cost and coverage are not in dispute in this proceeding.

#### **POSITION OF THE PARTIES**

The Union's final offer on insurance calls for an increase in

monthly employee contribution from \$5.00 to \$10.00 for single employee coverage, and from \$12.50 to \$25.00 for dependent coverage.

In support of that final offer, the Union asserts that this proposal recognizes the significant cost increases involved in health insurance, by doubling the monthly contribution to be made by employees for single and dependent coverage over and above employee costs under the current contract. It opposes the three tier prescription drug plan proposed by the County, basically because it has no clear information from the County concerning which drugs would be included in the second tier formulary drug area. It points out that County data shows that insurance expenditures have exceeded contributions in only two of the last five years, and that the County has thus enjoyed a surplus in its self-funded insurance program in three of those years. It contends that while the County's history of medical insurance program administrative costs as a percentage of claims has increased somewhat since 1995, this factor is an element of County insurance costs which is outside of employee and Union control. It asserts that while the self-insurance carryover amounts may have decreased somewhat in the past few years, those amounts are sufficient to maintain the integrity of the County's self-insurance system. Finally, it emphasizes that its proposal is supported by both external and internal comparability data, and that no other County bargaining unit and only two comparable counties require employee monthly insurance contribution amounts anywhere near as high as the final offer of the County in this proceeding.

The County proposes as its final offer on insurance an increase in

employee monthly contribution levels from \$5 to \$20 for single coverage, and from \$12.50 to \$50.00 per month for family coverage. It further proposes a change in prescription drug coverage from the existing two tier program to a three tier program, with a new middle level of 70% coverage for formulary name drugs if a generic drug is available.

In support of that final offer, the County points out that its self-insurance plan administrator has recommended increases in monthly premium rates from \$247 to \$316 for single coverage and from \$608 to \$785 for family coverage, and that such 28-29% increases cannot be absorbed almost entirely by the County given its limited financial resources. It contends that employee single and dependent monthly contribution rates have remained unchanged for the past three years despite large insurance cost increases absorbed by the County of 64¢/hour for single coverage and \$1.60/hour for dependent coverage during that time, and that such County-absorbed cost increases exist even if the County's insurance proposal here is awarded. It claims that its self-insured fund has experienced significant expenditures over revenues received in recent years, so much so that the County needed to move substantial dollars from a reserve fund for fiscal 2004 in order to be allowed by the State to continue its self-insurance program. It points out that, even with the increase in employee insurance contribution contained in the Union's final offer, the County still pays 94% of the total monthly premium, and such a percentage is similar to the percentage amount paid by comparable employers. It argues that its proposal more closely reflects the parties' bargaining history showing

increased employee contributions during periods of significant cost increases such as those now being experienced. Finally, it asserts that its proposal maintains a comprehensive health insurance program for employees at bargain rates, particularly given the County's budget difficulties.

#### DISCUSSION

It has unfortunately become virtually axiomatic in interest arbitration cases that employers and employees are faced with double digit (and sometimes high double digit) percentage increases in health insurance costs, and that bargaining table decisions regarding how those increases are to be met involve substantial economic impact upon both employers and employees alike. In such circumstances, the parties have little alternative other than to either seek new insurance cost bids for coverage they can live with, and/or to closely monitor costs claimed by medical providers to assure that the parties receive the highest possible "bang for the (insurance) buck." It hoped that both the County and all of its unions work together to assure that such a result occurs given the significant increased costs involved.

That being said, it is the criteria for arbitrator awards set forth in Section 22.9 of the Act which must provide the framework here for the arbitrator's determination of the "most reasonable" of the parties' final offers. When those criteria are examined against the evidence before the arbitrator in the area of insurance, it becomes readily apparent that the Union's final offer is the "most reasonable" of the final offers before the arbitrator. This is so for the following



reasons.

First, a review of the external comparability data provides virtually no support for the County's final offer here. Three of the seven agreed-upon comparable employers pay the entirety of the employee's monthly single and dependent medical and dental insurance coverage, and only one requires employee monthly contributions anywhere near as high as the amount contained in the County's proposal. In addition, only one of those comparable employers - Pottawattamie - has a three tiered prescription drug program and/or employee costs for prescription drugs similar to that contained in the County's proposal. In contrast, the Union's proposal of the doubling of employee monthly contributions for single and dependent health insurance coverage appears to maintain the County's relative position in this area among comparable employers.

Second, none of the fiscal year 2004 contracts for internal County bargaining units require employee payment for monthly single and dependent insurance at levels near those contained in the County's proposal. Rather, each of the four bargaining unit contracts previously resolved for fiscal year 2004 through earlier interest arbitration awards will require monthly employee contribution amounts identical to those in the Union's proposal, and the one carryover contract bargaining unit will require a lower employee contribution level.

Third, there is no showing here that past self-insurance funding shortages have been caused by employee misuse of the health insurance program; rather, it appears that such shortages have resulted from past

County under-funding decisions. The County maintains other sources allowing it to make up for those inaccurate funding projections, and employees in these circumstances should not bear a significant portion of the burden of such inaccurate decisions.

Fourth, the County admitted in its evidence that the percentage amount of monthly health insurance contributions it would make under the Union's proposal is similar to the contributions made by comparable employers. The Union's proposal - which recognizes the significant health insurance cost increases by voluntarily agreeing to double employee monthly contribution rates - thus best maintains the proper relative funding levels between the parties when compared to similar employers.

Finally, although the internal comparability data supports the arbitrator's adoption of the County's proposal in the area of prescription drug coverage, Iowa case law concerning the definition of an "impasse item" prohibits the arbitrator from splitting the award within the insurance area, and awarding that portion of the County's final offer on insurance. Here, the vast majority of the evidence under the statutory criteria supports the Union's final offer in the insurance area as a whole. It is suggested but not required by the arbitrator that the parties further discuss the three tiered prescription drug program once additional information concerning what constitutes the formulary drug tier becomes available. The award here, however, is the Union's final offer, which includes a two tiered prescription drug program, based upon the "impasse item" requirements of Iowa law.

## AWARD

The Union's final offer on insurance is the "most reasonable," and is hereby awarded.

## ISSUE #2 - WAGES

The current contract contains a wage rate schedule setting forth a four step wage progression for each of the fifteen job classifications listed therein. The steps set forth in that schedule provide for wage increases within each classification upon satisfactory employee performance at the six month, one year and two year anniversary dates. Wage rates in that schedule range from \$12.83/hour for Labor/Equipment Operator II at Step A, to \$18.34/hour for three bargaining unit classifications at Step D. The vast majority of bargaining unit employees are at the top of their wage schedule steps.

## POSITIONS OF THE PARTIES

The Union's final offer provides for an across-the-board wage increase of 2% effective July 1, 2003 and an additional 2% wage increase effective January 1, 2004, plus step increases. In support of that final offer, the Union asserts that national cost of living increases have been 3.2% CPI-W and 3.0% CPI-U during the period of February 2002 to February 2003, and that the Union's final offer is much closer to those figures than is that of the County, particularly when the employee monthly contribution increase for health insurance contained in the Union's insurance proposal is factored in. It asserts that bargaining unit employee wage rates are near the average in the agreed-upon comparability group, and that its wage proposal best maintains that

relative standing. It contends that while the Union's final offer involves a 3.04% cost increase and a 4% employee wage benefit increase budget-to-budget, the County's final offer on wages provides an increase of between 1.18% and 1.34%, depending upon benchmark classifications, when the County's health insurance proposal is included within those calculations. Finally, the Union points out that, among the four County arbitration cases already decided in contracts for fiscal year 2004 in the area of wages, two of the arbitrators have awarded wage increases identical to the Union's final offer, one has awarded a 3% budget-to-budget cost increase similar to that final offer, and only one has awarded an amount as low as the County's final offer here.

The County's final offer on wages provides for a 2.5% across-the-board wage increase, plus step increases, effective July 1, 2003. In support of that final offer, the County, while not claiming an inability to pay, contends that several factors have combined to create significant pressure on the County's budget and will require at least some employee layoffs, irrespective of which of the final wage offers is adopted here by the arbitrator. It asserts that those elements include that: 1) only \$159,000 of the total of more than \$11 million in taxes levied by the County for fiscal year 2004 is new dollars available for salary and benefit increases; 2) low interest rates on investments plus a full County jail capacity (where the County could formerly derive income from housing prisoners from other jurisdictions) has limited the County's ability to gain additional revenues from other sources; 3) although the County is the fourth largest in Iowa in population, it is

only fifth largest in Iowa in assessed valuation; 4) the significant health insurance cost increases, although fundable from certain reserve accounts, make meeting other County obligations and securing credit more difficult; 5) the County projects a decrease in non-property tax revenues of more than one half million dollars less than the amount in its existing budget; and 6) the budget difficulties will require the County to freeze the wages of non-bargaining County employees and substantially increase their monthly health insurance contributions.

The County further argues that the Union's final offer on wages will create a budget impact of 3.6% compared to the County's final offer of 3.1% budget impact when automatic step increases are included in those costs, and that the County's final offer is thus much closer to cost of living increases experienced by County employees. It claims that bargaining unit employee wage rates are about average among comparable employers, and that the Union has shown no need to improve those employees' relative standing as likely would occur under the Union's final offer. Finally, it contends that the County's proposal here is consistent with the parties' bargaining history, which shows lower agreed-upon wage increase levels in circumstances where, as here, significant budget difficulties exist.

#### DISCUSSION

Determination of the "most reasonable" of the final offers of the parties here is made more difficult by the absence in the record before the arbitrator of any evidence concerning either new contract fiscal year 2004 wage settlements or total insurance cost increases among

comparable employers. Both parties do agree, however, that bargaining unit employee wage rates are about in the middle among the agreed-upon comparable employers, and that no external comparability catch-up is necessary in this proceeding.

County Exhibits 11 and 12 do, however, reflect both the existing comparable wage levels for the benchmark classifications of Mechanic and Equipment Operator II, and the 2004 fiscal year wage rates contained in multi-year contracts in comparable counties Polk, Scott and Dubuque (Mechanic), and Polk, Scott, Dubuque and Woodbury (equipment Operator II). Those figures show that County wage rates currently rank second and third, respectively, in the low and high range wage level for the Mechanic classification, and fifth and sixth, respectively, in the low and high range wage levels for the Equipment Operator II classification. More pertinent to the inquiry here, however, that evidence shows that wage rate increases in those counties' multi-year contracts for these positions are a minimum of 3.47% between fiscal year 2003 and fiscal 2004, with the vast majority of such percentage increases in the area between 3.5% and 3.8%. One wage rate in that group - the entry level Equipment Operator II in Scott County - reflects an increase of 7.17%. Such data appears to show that adoption of the Union's final wage offer may be necessary in order for County employees to retain their relative wage standing among comparable employers.

County data further shows that by the July 1, 2003 effective date of this contract, only three employees - 9% of the thirty-three 33 person bargaining unit - are not at the top step of their

classifications, and are thus eligible for the contractually-provided wage step increase. The remainder 91% of the bargaining unit at the top step of their classifications will receive only the across-the-board wage increase at issue here. In view of the comparability data cited above, that element also supports the Union's final offer.

Likewise, the highly limited number of step increase recipients means that the vast majority of bargaining unit employees receiving only a 2.5% wage increase under the County's final offer - even without consideration of the increased employee out-of-pocket health insurance costs - would realize an increased wage and fringe benefit amount well below the agreed-upon cost of living figures provided at the hearing. This factor again supports the Union's final offer in the circumstances here.

Moreover, Section 22.9(b) of the Act requires the arbitrator to make comparisons of wages, hours and conditions of employment among comparable employers in determining the "most reasonable" of the final offers on each impasse item, and does not specifically limit the appropriate comparison only to the impasse item area being compared. When both wages and insurance levels for fiscal year 2004 multi-year contracts are compared, the higher wage increase levels in Polk, Scott, Dubuque and Woodbury counties referred to above occur in each of these counties in conjunction with higher levels of employer contributions to employee health insurance costs, with very limited exception. Each of those counties pays the entirety of the employee's single health insurance monthly premium, and two of the four pay the entire dependent

insurance monthly premium. Only employees of Scott County pay significantly more for dependent insurance than the amount paid by County employees under this Award, and the relatively similar amount of dependent health insurance monthly costs paid by Polk County employees is offset by that county's top ranking at all wage levels among comparable employers in the data before the arbitrator. This element likewise is supportive of the Union's final offer here.

The question then becomes whether the County's financial difficulties are sufficiently acute to offset the otherwise "most reasonable" status of the Union's offer under the elements described above. It is clear that the limited amount of new money available under the County's tax levies, low interest rates on investments, limited availability of additional revenues from other sources, projected lower non-property tax revenues and substantial increases in health insurance costs, have created significant additional pressure on the County's budget, and will likely necessitate at least some level of employee layoffs in many County departments. At the same time, however, the evidence before the arbitrator concerning the County's relative economic position vis-a-vis comparable counties is limited only to a showing that despite its fourth largest population, it ranks only fifth in Iowa in assessed valuation. It is no secret in Iowa and elsewhere that health care costs are rising at alarming rates, and that the weak economy across Iowa counties has limited the ability of these employers to obtain additional funding through such areas as high (or indeed reasonable) interest rates and increased non-property tax revenues.



Absent at least some level of a showing that the County's financial condition is significantly worse than that of comparable counties, the wage and benefit amounts it provides should generally be retained at levels at or near their relative positions when compared to such amounts in those comparable counties, under the standards set forth in Section 22.9 of the Act. Such a showing of the County's relatively worse financial condition is not contained in the evidence before the arbitrator.

Nor does the County's contention that bargaining history between the parties is supportive of the County's final offer properly affect the finding of the "most reasonable" final offer here. The County's claim - that the parties in past negotiations have agreed to lower wage increase levels in years where significant budget difficulties existed - was not supported by any documentary evidence establishing what could be interpreted as a "causal link" between past County budget problems and lower than average wage settlements. The County's financial difficulties thus do not overcome the above-described elements favoring the Union's final offer on wages as the "most reasonable" in these circumstances.

#### AWARD

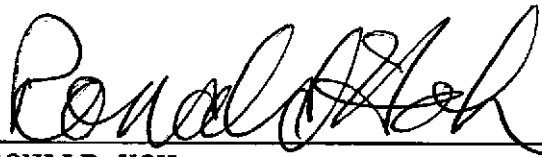
The Union's final offer of a 2% across-the-board wage increase effective July 1, 2003, and an additional 2% across-the-board increase effective January 1, 2004, plus steps, is the "most reasonable" of the final offers before the arbitrator. It is hereby awarded.

CONCLUSIONS OF LAW

Pursuant to Section 22.11 of the Act and for the reasons set forth above, the arbitrator hereby awards the following as the "most reasonable" of the final offers on the impasse items before me in this proceeding.

- 1) INSURANCE: An increase in the employee's monthly premium contribution for health/dental insurance coverage from \$5 single, \$12.50 dependent to \$10 single, \$25 dependent.
- 2) WAGES: A 2% across-the-board wage increase effective July 1, 2003 and an additional 2% across-the-board increase effective January 1, 2004, plus contractual step increases.

May 1, 2003

  
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RONALD HOH  
Arbitrator

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